

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ADP-00 INT-08 SCEM-02 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 PA-03

PRS-01 USIA-15 NSC-10 SS-15 STR-08 CEA-02 RSR-01 /180 W

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R 252050Z JUL 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6459

INFO AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD, EMIN, ENGR, PL, PE, US

SUBJECT: PETROPERU NOW NEGOTIATING "PERU MODEL" CONTRACT WITH
KOPEX AND OCCIDENTAL PETROLEUM

REF: WARSAW 3289, WARSAW 2727

1. LOCAL OXY REP CONFIRMED TO EMBOFF THAT KOPEX DELEGATION TOGETHER WITH OXY REP CURRENTLY NEGOTIATING "PERU MODEL" CONTRACT WITH PETROPERU FOR TRIPARTITE CONTRACT FOR PETROPERU'S PETROLEUM EXPLORATION BLOCK NO. 2. THIS BLOCK IS DIRECTLY SOUTH OF AND BORDERS ON OXY'S ONLY BLOCK, BLOCK NO. 1. OXY REP SAID PETROPERU IS TAKING TOUGH POSITION WITH POLES AND OXY, OFFERING THEM LESS THAN A COMBINED TOTAL OF 45 PERCENT OF CRUDE AT WELLHEAD UNDER PERU MODEL FORMULA. OXY REP SAID THAT POLES WERE SO INCENSED AT INITIAL LOW OFFER BY PETROPERU THEY INFORMED LATTER THEY WOULD NOT EVEN REPORT OFFER TO WARSAW.

(NOTE: PERU MODEL INVOLVES FOREIGN CONTRACTORS SPLITTING OIL AT WELLHEAD WITH PETROPERU. FORMER PAY ALL EXPLORATION COSTS AND ARE REIMBURSED IN CRUDE. TO DATE PETROPERU HAS SIGNED 18 OPERATING CONTRACTS INVOLVING 25 FOREIGN COMPANIES, WITH RECENT TERMS INVOLVING APPROXIMATE 55 PERCENT-45 PERCENT SPLIT BETWEEN PETROPERU

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AND FOREIGN OPERATORS, RESPECTIVELY. PETROPERU HAS AS YET SIGNED

NO CONTRACTS WITH FOREIGN GOVERNMENTS.)

2. OXY REP, MADE SEVERAL STATEMENTS WHICH INCONSISTENT WITH INFO REPORTED WARSAW 2727. IN FIRST INSTANCE, REP SAID THAT IN SEPT. 72 A POLISH DELEGATION FIRST MENTIONED POSSIBLE OIL PARTICIPATION TO PETROPERU WHICH THEN OFFERED POLES FIRST INTEREST IN EXPLORATION OF BLOCK NO. 2 SHORTLY THEREAFTER, WHEN OXY'S FIRST WELL PROVED OUT, OXY ASKED PETROPERU ABOUT CONTRACT FOR NEIGHBORING BLOCK NO. 2 AND LEARNED TO ITS CHAGRIN THAT POLES HAD FIRST OPTION FOR THAT BLOCK. OXY AND POLES THEN BEGAN DISCUSSIONS RE JOINT PARTICIPATION WHICH REACHED CULMINATION IN JULY 4 AGREEMENT REPORTED WARSAW 3289, BUT THIS PARTICIPATION WAS NOT AT PETROPERU'S INITIATIVE AS SUGGESTED BY OXY VICE PRESIDENT PHOCAS TO EMBASSY WARSAW. IN ADDITION, OXY'S THREE PRODUCING WELLS, ACCORDING LOCAL OXY REP, NOW HAVE PROVED YIELD OF 18,650 BPD, NOT OUTPUT OF UP TO 80,000 PLUS AS STATED REFTEL.

3. OXY WOULD BE OPERATOR WITH POLES PROVIDING FIXED PERCENTAGE OF COSTS, BUT NO FIRM FORMULA YET DECIDED. IN THIS REGARD, OXY REP NOTED THAT NOTWITHSTANDING POSITIVE PUBLICITY OF OXY PRODUCTION, SUBSTANTIALLY MORE DRILLING NECESSARY BEFORE GEOLOGISTS CAN MAKE EVEN REASONABLE ESTIMATE OF TOTAL RESERVES IN THE AREA, AND THEN REACH FINAL DECISION ABOUT WHETHER BLOCK NO. 1 ECONOMICALLY FEASIBLE.

4. PRESENCE POLISH DELEGATION IN LIMA REPORTED IN LOW KEY MANNER IN LIMA PRESS WHICH NOTED THAT DR. JAN KOBRYNER OF MINISTRY OF FOREIGN TRADE HOLDING NEGOTIATIONS WITH PETROPERU AND PLANNED TO SIGN EXPLORATION CONTRACT IN NAME OF KOPEX, KOBRYNER DECLINED COMMENT ON SUBSTANCE NEGOTIATIONS AND MADE NO MENTION OF OXY RELATIONSHIP TO POLE'S INTEREST.

5. COMMENT: OXY REP RELUCTANT IN FIRST INSTANCE ACKNOWLEDGE HIS COMPANY'S RELATIONSHIP TO POLISH DEL, NOTING HE UNDER STRICT ORDERS FROM HOME OFFICE NOT TO DISCUSS OXY-POLE JOINT PARTICIPATION. WHILE CLAIMING POTENTIAL POLISH PARTICIPATION WOULD BE SIMILAR TO OTHER FOREIGN CONTRACTORS, OXY UNDOUBTEDLY CONCERNED THAT PREMATURE LEAK MIGHT SCARE OFF EITHER OR BOTH OF OTHER TWO PARTNERS. IT ALSO APPARENT THAT OXY ONLY MODERATELY OPTIMISTIC ABOUT REACHING MUTUALLY ADVANTAGEOUS DEAL WITH PETROPERU, AND DOES NOT LIMITED OFFICIAL USE

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WISH LOSE FACE BEFORE TYING DOWN FIRM ARRANGEMENT.
BELCHER

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Disposition Date: 28 MAY 2004
Disposition Event:
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